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BRIAN T. STEWART

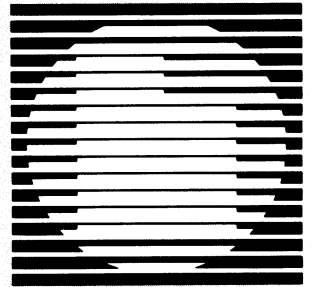
RTS 12/18/86

BRENT H. CAMERON

SHC 12/18/86

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JMB 12/19/86



STATE OF UTAH
DEPARTMENT OF
BUSINESS REGULATION

NORMAN H. BANGERTER, GOVERNOR
WILLIAM E. DUNN, EXECUTIVE DIRECTOR

'86 DEC 17 10:34

DATE: December 16, 1986

TO: PUBLIC
SERVICE COMMISSION
Public Service Commission

FROM: Division of Public Utilities
Ralph N. Creer, Director

Gas and Water Section
Darrell S. Hanson, Manager
Dan W. Bagnes, Auditor

Handwritten signatures and initials: RNC, D.S.H., D.W.B.

RE: Inter Company Loans
Case No. 85-037-09

RECOMMENDATION:

That Mountain Fuel Supply Company be allowed to continue to make inter-company loans and that the company continue to report to the Division of Public Utilities as set forth in the Commission's order of October 11, 1985.

EXPLANATION:

The Commission's Order allowed Mountain Fuel to loan up to \$50,000,000 to Questar subject to certain conditions. These conditions included no new loans if Mountain Fuel had short term debt, a maximum loan limit of the greater of \$50,000,000 or 13% of net utility plant (\$50,000,000 is greater), and required monthly reports to the Division of Public Utilities.

The report to the Division was to include several specific items including date, amount, rate, length, repayment date and current balance. Mountain Fuel has been very cooperative in supplying this information and the Division's review indicates that Mountain Fuel has complied with the Commission's conditions.

Although loans reached \$50,000,000 on several occasions, the limit was never exceeded. Mountain Fuel did not borrow any money (short-term) while the loans were in effect. Mountain Fuel appeared to earn near or at its allowed rate of return for the period and was able to pay its dividends. The loan transaction do not seem to have impaired company operations.

The rate was calculated at 8.23% for October 1985 and reached a high of 8.27% one month later. From that point the rate generally declined reaching a low of 5.85% for September 1986. The most recent rate reported (November) was 6.00%. The midpoint between the borrowing and market investment rates was used splitting the advantage equally for both parties.

DIVISION OF PUBLIC UTILITIES / RALPH N. CREER, DIRECTOR

The information Mountain Fuel reported to the Commission was information that the company would normally require in making an investment decision of this nature and should have been fairly simple to report to the Division.

The Division sees no reason why the loan program should not be continued. Mountain Fuel has developed a format for reporting that appears to cover the required information and is easy to prepare. The Division therefore recommends that the inter-company loan program be allowed to continue subject to the same restrictions and reporting requirements.

CC: William E. Dunn, Department of Business Regulation
Barbara C. Williams, Division of Public Utilities
Alan Allred, Mountain Fuel Supply Company